

**REVISED REBUTTAL TESTIMONY**

**of**

**CHERI L. HARDEN**

**Rates Department**

**Financial Analysis Division**

**Illinois Commerce Commission**

**CENTRAL ILLINOIS LIGHT COMPANY**

**Docket No. 02-0837**

**June 11, 2003**

1 **Q. Would you please state your name and business address?**

2 A. Cheri L. Harden, 527 East Capitol Avenue, Springfield, Illinois 62701.

3  
4 **Q. Are you the same Cheri Harden who filed direct testimony in this case?**

5 A. Yes I am.

6  
7 **Q. What is the purpose of your rebuttal testimony?**

8 A. The purpose of my rebuttal testimony is to respond to issues raised by Central  
9 Illinois Light Company ("CILCO" or "Company") witness Raymond J. Stillson  
10 (CILCO Rebuttal Exhibit 4.4). Additionally, I will present revised rates and  
11 associated schedules in response to Staff witness Bonnie Pearce's revised  
12 revenue requirement proposals (ICC Staff Exhibit 7.0, Schedule 7.1).

13  
14 **Q. Are you proposing changes to the rates offered in your direct testimony?**

15 A. Yes. I have attached schedules ICC Staff Exhibit 10.0, Schedule 10.1, pages 1  
16 through 5.

17  
18 **Q. Mr. Stillson is proposing 700 cfh as the appropriate breaking point between**  
19 **Rate 550 and Rate 600 instead of the 315 cfh originally proposed. Do you**  
20 **accept this new breaking point? (Company Witness Stillson, Exhibit 4.4,**  
21 **page 8)**

22 A. Yes. I find 700 cfh an adequate breaking point between Rate 550 and Rate 600  
23 classes.

24

25 **Q. The Company opposes your rate design for Rate 510, are you changing**  
26 **your recommendation? (Company Witness Stillson, Exhibit 4.4, page 13)**

27 A. No, I am not changing my recommendation. I am still proposing that the  
28 customer charge should be at 75% of cost and a flat rate structure for the  
29 delivery charge.

30

31 **Q. Did you review the entire rate design structure as Company witness**  
32 **Stillson suggests in his rebuttal testimony? (Company Witness Stillson,**  
33 **Exhibit 4.4, page 11)**

34 A. Yes I did. However, rate design is not an exact science, it requires that the  
35 analyst assign costs based on many factors. Any time that two or more rate  
36 designs are compared, it can be argued that cost shifting is taking place.  
37 Because costs may be shifted, based on the specific design of a rate, does not  
38 necessarily mean that my recommended residential rate is inappropriate.

39

40 My customer charge recommends that the percent of fully embedded customer  
41 charge move to 75%. This is a change from the 63% in the last rate case that  
42 was almost ten years ago. A move toward cost based rates is one goal of the  
43 general principles of rate design.

44

45 The flat rate concept is not an unusual rate design. Other gas utilities, as well as

electric utilities, in Illinois have flat rates for residential customers. Simply arguing that cost shifting occurs should not, by itself, be the sole determinant as to whether or not a specific rate design is appropriate.

**Q. Does your rate design impact the Company's ability to recover its costs?**

A. The rate design I propose will provide the Company the opportunity to recover its costs. Revenue requirement may be over, or under, recovered in a period of time for various reasons, including the number of customers, weather, general economic conditions and customer usage. For instance, the number of customers could increase substantially if a new large business locates in the Company's territory. This could cause the Company to over-recover. Under-recovery could occur if a large business closes or relocates out of the Company's territory. Warmer or colder weather during the summer and winter seasons will cause over or under-recovery. If the general economic conditions are good, customers may feel positive about their own "pocket-book" and increase their usage, thus possibly causing the Company to over-recover.

My recommendation for a flat rate delivery charge may cause customers to be more aware of their energy use and be more inclined to conserve. This is certainly the intent. Whether customers will choose to conserve is not yet known. Thus, in combination with the other possible causes of over and under-recovery that are described above, the Company may, or may not, actually

68 recover its revenue requirement in any particular year. The Company argument  
69 that it may not recover its revenue requirement using my recommended rate  
70 design is not valid because the Company may not recover its revenue  
71 requirement under its own proposed rate structure.

72  
73 The results of my proposed rate design can be found in ICC Staff Exhibit 10.0,  
74 Schedule 10.1, pages 1 through 5.

75  
76 **Q. Does the Company oppose your rate design for Rate 550 and Rate 600?**

77 A. No, the Company has accepted my flat rate design for the delivery charge for  
78 Rate 550 and Rate 600 (as shown on CILCO Rebuttal Exhibit 4.6) as the  
79 customer charge is set at full cost of service.

80  
81 **Q. Does this conclude your rebuttal testimony in this proceeding?**

82 A. Yes.

Central Illinois Light Company  
RS 510 - Residential Gas Service  
Proposed Rate Design - Staff Revised Rebuttal  
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<u>Line No.</u>	<u>Description</u> (a)	<u>Block Break</u> (b)	<u>Annual Billing Determinant</u> (c)	<u>Proposed Distribution Rates</u> (d)	<u>Proposed Distribution Revenues</u> (e)	<u>Current Distribution Revenues</u> (f)	<u>Proposed Increase</u> (g)	<u>% Change</u> (h)
1	Customer Charge (per Month)		2,280,996	\$12.10	\$27,600,052			
	Delivery (per therm)							
2	Head Block	0	114,064,768	\$0.0000	\$0			
3	Tail Block		65,815,426	\$0.0000	\$0			
4	Total Delivery		179,880,194	\$0.1682	\$30,255,849			
5	Total All				\$57,855,900	\$50,865,759	\$6,990,141	13.74%
6	Target Revenue				\$57,859,890			
7	Over/(Under)				(\$3,990)			

Central Illinois Light Company  
RS 550 - Small General Gas Service  
Proposed Rate Design - Staff Revised Rebuttal  
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<u>Line No.</u>	<u>Description</u> (a)	<u>Block Break</u> (b)	<u>Annual Billing Determinant</u> (c)	<u>Proposed Distribution Rates</u> (d)	<u>Proposed Distribution Revenues</u> (e)	<u>Current Distribution Revenues</u> (f)	<u>Proposed Increase</u> (g)	<u>% Change</u> (h)
1	Customer Charge (per Month)		157,320	\$22.90	\$3,602,628			
	Delivery (per therm)							
2	Head Block	0	11,995,510	\$0.0000	\$0			
3	Tail Block		<u>7,740,948</u>	<u>\$0.0000</u>	<u>\$0</u>			
4	Total Delivery		19,736,458	\$0.1552	\$3,063,098			
5	Total All				\$6,665,726	\$6,322,165	\$343,561	5.43%
6	Target Revenue				\$6,665,706			
7	Over/(Under)				\$21			

Central Illinois Light Company  
RS 600 - General Gas Service  
Proposed Rate Design - Staff Revised Rebuttal  
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<u>Line No.</u>	<u>Description</u> (a)	<u>Block Break</u> (b)	<u>Annual Billing Determinant</u> (c)	<u>Proposed Distribution Rates</u> (d)	<u>Proposed Distribution Revenues</u> (e)	<u>Current Distribution Revenues</u> (f)	<u>Proposed Increase</u> (g)	<u>% Change</u> (h)
1	Customer Charge Std. (per Month)		54,360	\$119.30	\$6,485,148			
2	Customer Charge Non-Std. (per Month)		84	\$1,314.40	\$110,410			
3	Total Customer Charge				\$6,595,558			
	Delivery (per therm)							
4	Head Block		66,791,722	\$0.0000	\$0			
5	Tail Block		8,046,452	\$0.0000	\$0			
6	Total Delivery		74,838,174	\$0.1081	\$8,090,007			
7	Total All				\$14,685,564	\$11,390,817	\$3,294,747	28.92%
8	Target Revenue				\$14,681,323			
9	Over/(Under)				\$4,241			



Central Illinois Light Company  
RS 650 - Intermediate General Gas Service  
Proposed Rate Design - Staff Revised Rebuttal  
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<u>Line No.</u>	<u>Description</u> (a)	<u>Annual Billing Determinant</u> (b)	<u>Proposed Distribution Rates</u> (c)	<u>Proposed Distribution Revenues</u> (d)	<u>Current Distribution Revenues</u> (e)	<u>Proposed Increase</u> (f)	<u>% Change</u> (g)
1	Customer Charge (per Month)	360	\$1,314.40	\$473,184			
2	Demand Charge (per MDCQ therm)	1,942,056	\$0.9205	\$1,787,663			
3	Distribution Charge (per therm)	27,875,841	\$0.0100	\$278,758			
4	Total All	27,875,841		\$2,539,605	\$2,027,894	\$511,711	25.23%
5	Target Revenue			\$2,539,807			
6	Over/(Under)			(\$203)			

Central Illinois Light Company  
RS 700 - Large General Gas Service  
Proposed Rate Design - Staff Revised Rebuttal  
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<u>Line No.</u>	<u>Description</u> (a)	<u>Annual Billing Determinant</u> (b)	<u>Proposed Distribution Rates</u> (c)	<u>Proposed Distribution Revenues</u> (d)	<u>Current Distribution Revenues</u> (e)	<u>Proposed Increase</u> (f)	<u>% Change</u> (g)
1	Customer Charge (per Month)	60	\$2,761.00	\$165,660			
2	Demand Charge (per MDCQ therm)	4,226,604	\$0.2603	\$1,100,185			
3	Distribution Charge (per therm)	46,506,417	\$0.0100	\$465,064			
4	Total All	46,506,417		\$1,730,909	\$1,298,559	\$432,350	33.29%
5	Target Revenue			\$1,731,109			
6	Over/(Under)			(\$200)			